EXHIBIT L

MP4011003870

D R A F T

Mr. Robert J. Crimmins
Executive Vice-President
Personal Insurance

Re Preliminary Dividend Recommendations
1990 Dividend Scales - United States Business

Attached is Mike Levine's dividend recommendation memo for the 1990 Dividend Scales. We are recommending a moderate adjustment, so that the distributable amount will be $1.15 billion, which is $50 million less than the $1.20 billion that would have been paid if the scales in place for 1989 were continued.

Most of the scale change arises from increased expense charges. Expenses have risen due to the recent investment in the field force. Although this investment will result in long term profitability and growth, a modest increase in charges will enable us to better manage our nearer range goals.

The balance of the scale change is due to mortality table revisions, interest credit refinements and various technical refinements which tend to decrease dividends. These refinements do not alter the theory underlying the dividend scale but instead refine the implementation of the dividend process.

The proposed dividend scale change will have a modest impact on earnings. Planned earnings for 1989 will increase by $48 million on a statutory basis, from $ million to $ million, and by $24 million on a GAAP basis, from $ million.

The scale change will have a minimal effect on our competitive position.

Stephen E. White
Vice-President and Actuary
PI Financial Management

July 12, 1989

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D R A F T

Mr. Stephen E. White
Vice-President and Actuary
PI Financial Management

Re Preliminary Dividend Recommendations
1990 Dividend Scales – United States Business

ORDINARY

If the 1990 Dividend Scales were to remain unchanged from those in place for 1989, the total distributable annual dividends would be about $1.20 billion. We are recommending a moderate adjustment, so that the distributable amount would be $50 million less, or $1.15 billion.

Although most of this $50 million price adjustment will arise from increases in expense charges, we also intend to refine our pricing with respect to mortality and interest, and to implement various technical adjustments that will facilitate the long term management of this business.

Under any particular dividend scale, there is a structural tendency for the dividends on an individual policy to increase from one policy year to the next. Thus, even with the change in dividend scales, most policyholders will not perceive actual reductions.

Expense Charges. We have determined that a modest $30 million increase in inforce expense charges (from about $251 to $281 million) is an appropriate step, consistent with our long term expense management needs.

Although our recent rededication to growth has reversed the historical declines in sales and volumes, profit optimization appears to warrant an increase in marginal expense revenues.

Mortality Charges. Overall, the observed mortality experience on the participating business continues to be slightly worse than was expected under the 1985 Dividend Mortality Tables. With the 1990 Dividend Scales, we have therefore decided to establish a new set of Dividend Mortality Tables. The impact will be a price increase in the area of $5 million.

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Under the old tables, we had adhered to a constraint setting female mortality rates equal to those of males three years younger. We will now eliminate this constraint, generally widening the gap between female and male rates.

Interest Credits. The performance of the underlying assets will enable us to maintain interest credits at about the current level (nearly $1.6 billion.)

We will continue to reduce the difference in credited rates between pre-1982 and post-1981 issues. And we will continue to phase out "interest on free surplus". However, these actions will reduce dividends by no more than $10 million.

Technical Refinements. The dividend calculation formulas for business issued prior to 1960 will be modified so that they are more consistent, mathematically, with the formulas now in use on most other major blocks of business. This will facilitate our administrative processes, as well as financial management. (Analogous refinements will also be implemented for several other small categories of business.) We expect these formula changes to reduce dividends by about $5 million, primarily by increasing tax charges to policies with high terminal dividends.

Quantitative Summary. At this point, the estimated pricing changes are as follows (in $ millions):

	NO SCALE CHANGE	PROPOSED CHANGE	IMPACT
PREMIUM	1173	1173	0
- EXPENSE CHARGES	251	281	- 30
+ INTEREST CREDITS	1578	1571	- 7
- MORTALITY CHARGES	266	271	- 5
- TAX CHARGES	36	41	- 5
- PLANNED PROFITS	10	10	0
+ INTEREST ON FREE SURP	10	7	- 3
+ MISCELLANEOUS	13	13	0
- FUND INCREASE	1010	1010	0
= DIVIDEND	1201	1151	- 50

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Earnings Impact. The estimated calendar year earnings impacts of the scale change is as follows (in $ millions):

	1989	1990	1991
Statutory	48	2	
GAAP	23.3	26	.3

Statutory impacts extend into 1990 (and GAAP into 1991) because the dividend year for some of the business runs from May 1, 1990 to April 30, 1991.

Michael Levine
Actuary
PI Financial Management

July 12, 1989

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